

## The Commodities Feed: Higher prices & weaker margins

Oil prices have continued to trend higher for a fourth consecutive week. OPEC+ cuts have clearly boosted prices. However, weaker refinery margins are a concern, signalling weaker demand, particularly for middle distillates



### Energy - Mixed signals for oil

The oil market managed a fourth consecutive week of settling higher and since mid-March, ICE Brent is up more than 18%. While the flat price and time spreads have strengthened on the back of expectations of a tighter market, demand concerns clearly remain. Weaker refinery margins remain a feature, with the weakness predominantly driven by middle distillates. Stronger crude prices will not be helping margins for refiners either.

The latest positioning data shows little change in the net speculative positioning in ICE Brent. The net long fell by just 420 lots over the last reporting week to 234,041 lots. However, there was more movement in NYMEX WTI, where speculators increased their net long by 22,079 lots to 198,493 lots. This was driven by a roughly equal combination of fresh longs and short covering. In fact, the gross speculative short in WTI is at its lowest level since October last year, standing at just 24,474 lots.

The IEA released its latest monthly oil market report on Friday, in which the group left its global

demand growth forecast for 2023 unchanged at 2MMbbls/d. The IEA expects that 90% of this growth will come from non-OECD countries and is largely driven by China. Global oil inventories are also reported to have held steady over February, after growing by 58MMbbls in January. The agency believes that non-OPEC+ production will not be able to offset the cuts recently announced by some OPEC+ members. And so the agency sees an even tighter market over 2H23, pushing both crude and products prices higher.

It is a fairly quiet week for the energy calendar this week. However, we do get Chinese industrial output data for March on Tuesday, which will include domestic refining activity. For broader markets, there will be plenty of attention on the 1Q23 Chinese GDP data on Tuesday, with the market expecting a YoY number of around 3.9%.

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